

**2006 HSC Notes from
the Marking Centre
Economics**

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2006 HSC NOTES FROM THE MARKING CENTRE

ECONOMICS

Introduction

This document has been produced for the teachers and candidates of the Stage 6 course in Economics. It provides comments with regard to responses to the 2006 Higher School Certificate examination, indicating the quality of candidate responses and highlighting the relative strengths and weaknesses of the responses to each section and each question.

This document should be read along with the Economics syllabus, the 2006 Higher School Certificate examination paper, the marking guidelines and other support documents which have been developed by the Board of Studies to assist in the teaching and learning of Economics.

In 2006, 5411 candidates presented for the Economics examination.

Section I – Multiple Choice

Question	Correct Response
1	D
2	C
3	B
4	A
5	C
6	D
7	D
8	C
9	D
10	C

Question	Correct Response
11	B
12	A
13	D
14	A
15	A
16	B
17	A
18	A
19	B
20	B

Section II

General comments

The questions in this section were all mandatory. Most provided stimulus material in the form of a quote, table or other data for students to refer to in their responses. Some questions directed candidates to the stimulus and required them to respond directly to it whilst others allowed for responses on issues related to the stimulus. The directive terms in the questions, such as 'distinguish', 'explain', 'account for' and 'outline' were well understood by candidates in their responses. Some candidates found it difficult to provide clear and concise answers, at times writing unnecessarily lengthy responses. Candidates should use the mark value and number of lines provided for each question as a guide to the appropriate length of responses.

Question 21

- (a) Responses were generally correct in this part of the question. A very small number of responses did not provide an answer that was taken from the stimulus material, as was required by the question.
- (b) Most responses demonstrated an accurate understanding of both cyclical and hidden unemployment.

Better responses used precise language and provided clear definitions to distinguish between the two types of unemployment as required by the question

Some weaker responses confused the types of unemployment. Common errors included confusing cyclical and seasonal unemployment and hidden unemployment with underemployment. There was also some confusion between the impacts of the domestic and international business cycle and the link between increasing unemployment and specific phases of the business cycle.

- (c) Better responses to this question demonstrated a clear understanding of the meaning of the labour force participation rate and factors that would cause it to increase. They commonly referred to economic growth or increased wage flexibility as reasons for factors attracting workers back to the labour force and increasing the LFPR. Government policy was also a feature of some responses. A number of responses provided some explanation of specific economic effects such as increased productive capacity.
- (d) Responses referred to a broad range of groups. The most frequently used examples included youth unemployment and Aboriginal and Torres Strait Islander groups.

Better responses provided a clear account and a range of reasons for higher than average unemployment in each of the two groups to which they referred. Some otherwise good responses included irrelevant material such as unnecessary data and impacts of high unemployment and government policies. Often, these responses did not receive full marks.

Weaker responses often confused 'groups' with 'types' of unemployment and provided stereotyping and generalised characteristics to account for higher levels of unemployment, such as 'lack of skills' and 'poor motivation'.

Question 22

- (a) Most candidates were able to calculate correctly the budget surplus as \$18 billion. Errors were made by some candidates who did not know the definition of the budget surplus, or who had problems with the order of magnitude (eg stating the answer as simply 18).
- (b) Most candidates were able to achieve full marks for this part by pointing to two factors in the table provided that influenced the budget result. To achieve full marks, candidates were expected to point out two budget components where year-on-year changes had led to the surplus outcome: simply stating the dollar amount of a component was not sufficient. Some candidates speculated on the reasons why certain budget components had changed, but this was not necessary to achieve full marks for this part.
- (c) Better responses to this part provided a clear indication of how fiscal policies could change the distribution of income (eg an increase in the progressivity of income taxes can reduce inequality of incomes).

Weaker responses tended to be vague, eg stating that the tax system could be used to change the distribution of income, without mentioning how this could occur.

- (d) Some candidates thought that this part required a response in terms of recent fiscal policy in Australia and quoted various facts and data which the question did not specifically require.

Better responses demonstrated an understanding of the ways fiscal policy could work to reduce a current account deficit. This generally required an outline of the mechanism involved. For example, responses that cited a policy of increasing taxes linked this to a restriction of disposable incomes and hence a probable moderation of the demand for imports and an improvement in the balance on goods and services. They used appropriate terms which enabled a more concise response.

Weaker responses simply listed fiscal policies that could affect the CAD without sketching the mechanisms involved. Common errors included confusion of the budget deficit with the CAD and statements to the effect that the government could use a budget surplus to directly pay off the CAD or private foreign debt.

Question 23

- (a) Most candidates could distinguish between product and factor markets clearly and concisely using examples to illustrate their answers.

Weaker responses referred to markets as places where resources and goods and services are produced, or were able to define only one type of market.

- (b) Most candidates correctly identified a market or industry that has been deregulated. Better responses outlined the component parts of the deregulation process for their selected market or industry. They referred to a market or industry where the deregulation process contained many component parts, such as the labour market or financial markets.

Weaker responses tended to outline the impacts of deregulation rather than the process of deregulation.

- (c) The majority of candidates correctly identified two areas of microeconomic reform. Better responses explained the nature of the microeconomic reforms they chose and then clearly and concisely discussed how these reforms impacted on both productivity and international competitiveness within the Australian economy.

Weaker responses referred to structural change as a type of microeconomic reform or chose two reforms that were similar or from the same area of reform.

Most responses provided a balanced coverage of their selected areas of reform. However, a small number of candidates wrote on only one area of microeconomic reform.

Question 24

- (a) Most responses correctly calculated the balance on current account as being -\$30B.
- (b) Most responses selected the relevant information. A correct response was not required to quote numerical figures from the stimulus, but had to refer to the specific components listed on the current account from the stimulus.

Most candidates looked at the components that contributed to the current account deficit, such as the negative net income figure and the fact that imports were greater than exports. However, some candidates mentioned that the positive service figure also influenced the balance on the current account as it made the deficit smaller. This was also accepted as one of the influences.

Some responses included great detail about the factors that contribute to the current account deficit, and wrote in general terms (although correct for Australia) about the factors influencing the CAD. However, because they did not quote evidence from the table, they failed to obtain the two marks allocated for this question.

- (c) Better responses demonstrated the relationship between the two accounts. There were many ways in which this relationship could be expressed. Some responses expressed the relationship through financial inflows on the financial and capital account which were financing a deficit on the current account. Some approached this mathematically and others looked at the effects of the dollar appreciating or depreciating and the implications that this had on both accounts. Overall, the better responses demonstrated sound theoretical knowledge in this section.

Some candidates who had a partial understanding of the relationship accurately stated the mathematical relationship between the accounts, with one being in surplus and the other in deficit, but failed to follow through with a clear and concise explanation. They often went off on tangents which were correct, but which did not clearly focus on the two accounts.

Weaker responses often state an accurate definition of the two accounts or identified that while one was in surplus the other was in deficit. However, these candidates were not able to explain the reasons for this.

Some candidates felt the need to explain the relationship of both accounts with a floating exchange rate, going through the effects of the exchange rate changing. Unless they were very confident in their understanding of the implications on both accounts, this approach often confused them.

However, candidates who took the “floating exchange rate” as the variable under which both accounts were operating were able to express more accurately the relationship between the current account and the capital and financial account.

- (d) Most responses provided at least one accurate effect of the rise in interest rates on the components of the balance of payments. This question gave candidates the opportunity to provide precise examples and a thorough explanation of a contemporary economic example.

Better responses clearly explained the effects of a rise in interest rates and some distinguished short term impacts and then long term impacts on the various components of the balance of payments. Elasticities of imports and exports were also mentioned, which would determine the impact on the balance of goods in the current account. These responses often related a rise in interest rates to a subsequent appreciation of the Australian dollar as the higher rates encouraged capital inflows. An explanation of the impact on the current and capital account then followed.

Most responses explained the impact of the increased interest rates in dampening economic activity and the subsequent effect on import spending in the current account.

Weaker responses often expressed a correct effect of increased interest rates such as dampening demand, but did not explain the impact on the balance of payments. They correctly stated that there would be less spending, but did not relate this to import spending and the effect on the current account of the balance of payments.

Section III

Question 25

This question was drawn from Topic 1 of the HSC Course, 'The Global Economy', as it focused on the global economy, noting trade, protection and external influences on the Australian economy.

Better responses provided an analysis and used appropriate, correct and fully annotated supporting diagrams. These responses demonstrated an understanding that a reduction in the level of protection in the global economy results in an increase in globalisation. They also demonstrated an understanding of the complex and varied impacts, both positive and negative, of reduced levels of protection on the global economy. Examples included the efficient allocation of resources, increased world trade and output, international convergence, short term structural unemployment, increased inequality in income distribution, growth of TNCs and their influence, falling prices and increased variety for consumers, technology transfer and exclusion of poor economies from the benefits of trade. Better responses supported their assertions with data from a range of economies with differing levels of development. They often distinguished between technical, allocative and dynamic efficiency and incorporated the role of trade agreements and international organisations such as the WTO, EU, NAFTA, CERTA, ASEAN and APEC. Better responses were well structured with information sequenced logically in relation to the question and the stimulus.

Most responses referred to the types of protection, including tariffs, subsidies, quotas and local content rules.

Weaker responses stated that reduced protection was the result of globalisation. They were descriptive, and failed to provide any link to the question. They concentrated on the reasons for and against protection and often used the Australian economy as their main point of reference. Where used, diagrams were often incorrect or not referred to in the text of the response. These responses provided general information on the impacts of globalisation with a focus on methods of protection rather than impacts. Some failed to link the information to the global context. The weakest responses tended to be poorly organised, brief and descriptive.

Question 26

This question was drawn from Topic 3 of the HSC Course, 'Economic Issues' and Topic 4 of the HSC Course, 'Economic Policies and Management'.

Better responses demonstrated a clear understanding of the range of policies including macro (monetary and fiscal policies) and micro (financial deregulation, labour market reform, taxation reform, National Competition Policy, tariff reform and so on). They also made effective use of nearly all performance indicators in the selected economic data provided as part of the stimulus material.

Responses clearly linked the various policies with a range of performance indicators. Better responses provided a comprehensive analysis of the impact of policies on the economic performance of the Australian economy in an integrated way, connecting macro as demand management and micro as supply management; and that together they impact on economic performance. They also demonstrated how various policies can impact on the same performance indicator, eg microeconomic reform and monetary policy on inflation.

Analysis was based on inflation and inflationary expectations, the long run Phillips curve, the trade-off between inflation and unemployment, the transmission mechanism, fiscal consolidation and the savings-investment gap. Responses also analysed the CAD and retirement of foreign debt, income distribution effects as well as environmental consequences.

Better answers also considered short, medium and long term implications of policy responses. In many cases they highlighted the constraints and conflicts in achieving economic objectives and hence performance, eg policy time lags, expansionary fiscal policy vs contractionary monetary policy, or impacts of tight monetary policy on the BOGS and net income components of the CAD.

Better responses were well structured with information logically sequenced in relation to the question, the rubric and the stimulus material.

Average responses tended to provide lengthy and descriptive accounts of the various policies with some analysis of key performance indicators only. Emphasis was given to the policy process with some understanding of the relationship between the policies mentioned and economic performance. The responses tended to provide an unbalanced approach to the various policies.

Weaker responses described some policy areas and tended to copy data and provide a minimum of their own knowledge to link to and develop the information provided. They often provided limited and sometimes incorrect use of economic terms, concepts and relationships, eg confusion of macro and micro policy, processes of market operations, policy stances and outcomes as well as policy implications.

Section IV

Question 27

This question was drawn from Topic 2 of the HSC Course, 'Australia's Place in the Global Economy'. While the majority of candidates presented information on the causes of an increase in the demand for the Australian dollar and the impact on the Australian economy of an appreciation, only the better candidates were able to fully address the impacts of a 'sustained appreciation' of the Australian dollar on the economy. Overall, responses to this question reflected a sound foundation of knowledge in Economics.

Better responses identified and outlined a range of causes of an increase in demand for the Australian dollar, such as the demand for Australian exports, speculation, capital inflow, interest rate differentials and global economic growth. The significance of the term 'sustained' was recognised and well understood and responses differentiated between the short and long term impacts of an appreciation. They were also able to discuss the positive and negative consequences of such an appreciation. Impacts on the CAD were also well analysed, particularly the valuation effect. Responses integrated relevant historical and contemporary economic data, including statistics, correct and fully annotated diagrams that effectively explained changes in demand, and identified trends and significant economic factors like the resources boom. These responses analysed broader impacts, such as those on employment in import-competing and a range of export industries.

Weaker responses over-emphasised the role of the RBA in determining the value of the Australian dollar. Concepts such as terms of trade were confused with volume of trade or balance of trade. These responses failed to focus on the question asked and included discussion of depreciation as well as appreciation and/or focused on exchange rate determination when the question did not require it. Some responses emphasised supply factors in influencing the value of the Australian dollar when the question specifically asked for causes of an increase in demand. Such approaches are suggestive of prepared answers. Many of the weaker responses failed to distinguish between short and long term effects. There was little integration of relevant economic data and diagrams were often incorrect or not fully utilised within the context of the discussion. These responses failed to recognise the significance of the term 'sustained appreciation' and therefore dealt with the impacts in a superficial, limited and descriptive way.

Question 28

This question was drawn from Topic 3 of the HSC Course, 'Economic Issues'. Economic growth and environmental management are identified as two issues, but this question specifically required candidates to demonstrate an understanding of the relationship between ecologically sustainable development (ESD) and economic growth.

Better responses were able to outline a range of arguments for ESD, such as intergenerational and intragenerational equity (future and current generations having access to the same level of environmental/economic resources), sustainability of resources (renewable and non-renewable), maintaining biodiversity and higher potential long term economic growth rates (perhaps at the expense of short term growth). Better candidates also incorporated relevant economic terms and concepts and diagrams in outlining their arguments.

These concepts included reducing the impact of negative externalities, such as pollution, by incorporating social costs with private production costs to better allocate scarce environmental resources and provide better environmental outcomes. Examples such as carbon trading rights, water trading and taxing externalities were used in better responses to illustrate these concepts.

In discussing the likely impacts of an increase in the rate of Australia's economic growth on the environment, better responses recognised the links between the first and second parts of the question by noting the inverse relationship or trade-off between ESD and economic growth. Better responses developed points both for and against Australian economic growth and the impact of this on the environment, often using environmental economic theory as a basis for the discussion, such as market failure and internalising social costs. However, most arguments about the impact of Australia's economic growth were negative arguments, referring to externalities such as pollution, environmental degradation, salinity, species extinction and overuse of renewable resources. Some responses also recognised the link between world growth (particularly China) and the demand for non-renewable resources such as coal, oil and iron ore. Stronger responses also included arguments about higher economic growth rates in Australia allowing fiscal surpluses where governments (and business) were in a better position to fund innovation and research that might provide better ESD outcomes.

Weaker responses were not able to provide a range of arguments for ESD, but most candidates linked ESD with intergenerational equity. Weaker responses outlined economic policies instead of environmental policies when referring to economic growth. This included reference to monetary, fiscal policy and labour market policy to provide a response focused on economic growth rather than the impacts of economic growth on the environment. Most responses recognised the link between economic growth and environmental problems, such as pollution, but did not develop the arguments using relevant examples, concepts or theory. In a number of cases, weaker responses included a list of positive and negative impacts.

Economics

2006 HSC Examination Mapping Grid

Question	Marks	Content	Syllabus outcomes
Section I			
1	1	Topic 4	H1
2	1	Topic 1	H1
3	1	Topic 3	H1, H11
4	1	Topic 1	H1, H8
5	1	Topic 4	H1, H2
6	1	Topic 3	H1
7	1	Topic 1	H1, H8
8	1	Topic 3	H1, H11
9	1	Topic 2	H1, H8
10	1	Topic 3	H1
11	1	Topic 2	H1, H8
12	1	Topic 3	H1, H11
13	1	Topic 2	H1, H8
14	1	Topic 4	H1, H6
15	1	Topic 2	H1, H8
16	1	Topic 3	H1, H7
17	1	Topic 3	H1, H7
18	1	Topic 1	H1
19	1	Topic 2	H1, H8
20	1	Topic 4	H1, H8
Section II			
21 (a)	1	Unemployment (topic 3)	H1
21 (b)	2	Unemployment (topic 3)	H1
21 (c)	3	Unemployment (topic 3)	H2, H7
21 (d)	4	Unemployment (topic 3)	H1, H7
22 (a)	1	Fiscal Policy (topic 4)	H11
22 (b)	2	Fiscal Policy (topic 4)	H1
22 (c)	2	Fiscal Policy (topic 4)	H6
22 (d)	5	Fiscal Policy (topic 4)	H6
23 (a)	2	Micro-Economic Reform (topic 4)	H1
23 (b)	3	Micro-Economic Reform (topic 4)	H1, H2
23 (c)	5	Micro-Economic Reform (topic 4)	H6, H7
24 (a)	1	Balance of Payments (topic 2)	H1, H11

Question	Marks	Content	Syllabus outcomes
24 (b)	2	Balance of Payments (topic 2)	H1
24 (c)	3	Balance of Payments (topic 2)	H1, H8
24 (d)	4	Balance of Payments (topic 2)	H2, H7
Section III			
25	20	Global Economy (topic 1)	H2, H3, H4, H7
26	20	Policy Mix (topic 4)	H2, H5, H6
Section IV			
27	20	Exchange Rates (topic 2)	H2, H4, H7, H8
28	20	Economic Issues (topic 3)	H2, H4, H5, H7

2006 HSC Economics Marking Guidelines

Section II

Question 21 (a)

Outcomes assessed: H1

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">• States any one of the following reasons (or similar) for Australia's unemployment rate in 2004–05<ul style="list-style-type: none">– Employment growth– More participation in the workforce– Efficient labour market– Wage flexibility	1

Question 21 (b)*Outcomes assessed: H1***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Correctly notes the difference between cyclical unemployment and hidden unemployment	2
<ul style="list-style-type: none">• Notes some difference between cyclical unemployment and hidden unemployment OR <ul style="list-style-type: none">• Correctly defines either cyclical or hidden unemployment	1

Question 21 (c)*Outcomes assessed: H2, H7***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Correctly states ONE cause of an increase in the labour force participation rate (lfpr) and clearly and concisely shows the relationship between an increase in the lfpr and TWO economic effects of this increase	3
<ul style="list-style-type: none">• Correctly states ONE cause of an increase in the labour force participation rate (lfpr) but only partially demonstrates an understanding of the relationship between an increase in the labour force participation rate (lfpr) and TWO economic effects of this increase OR <ul style="list-style-type: none">• Correctly states ONE cause of an increase in the lfpr and clearly and concisely demonstrates ONE economic effect of this increase OR <ul style="list-style-type: none">• Does not correctly state ONE cause of an increase in the labour force participation rate (lfpr) but clearly and concisely shows the relationship between an increase in the lfpr and TWO economic effects of this increase	2
<ul style="list-style-type: none">• Correctly states ONE cause of an increase in the labour force participation rate (lfpr) OR <ul style="list-style-type: none">• Demonstrates a partial understanding of the relationship between an increase in the lfpr and TWO economic effects of this increase OR <ul style="list-style-type: none">• Clearly and concisely shows the relationship between an increase in the labour force rate (lfpr) participation and ONE economic effect of this increase	1

Question 21 (d)*Outcomes assessed: H1, H7***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">Provides relevant, clear, concise and balanced reasons for the higher than average rates of unemployment experienced by TWO groups in the Australian economy	4
<ul style="list-style-type: none">Provides relevant reasons for the higher than average rates of unemployment experienced by TWO groups in the Australian economy	3
<ul style="list-style-type: none">Provides relevant, clear, concise and balanced reasons for the higher than average rates of unemployment experienced by ONE group in the Australian economy <p>OR</p> <ul style="list-style-type: none">Sketches in general terms a reason for the higher than average rates of unemployment experienced by TWO groups in the Australian economy	2
<ul style="list-style-type: none">Sketches in general terms a reason for the higher than average rates of unemployment experienced by ONE group in the Australian economy <p>OR</p> <ul style="list-style-type: none">Identifies TWO groups in the Australian economy experiencing higher than average rates of unemployment	1

Question 22 (a)*Outcomes assessed: H11***MARKING GUIDELINES**

Criteria	Marks
• Correctly calculates the budget surplus	1

Question 22 (b)*Outcomes assessed: H1***MARKING GUIDELINES**

Criteria	Marks
• Sketches in general terms TWO factors that have influenced this budget outcome, quoting evidence from the table	2
• Sketches in general terms ONE factor that has influenced this budget outcome, quoting evidence from the table OR • Sketches in general terms TWO factors that have influenced this budget outcome, but does not quote evidence from the table	1

Question 22 (c)*Outcomes assessed: H6***MARKING GUIDELINES**

Criteria	Marks
• Sketches in general terms how fiscal policy can impact on the level of income distribution	2
• Demonstrates a partial understanding of how fiscal policy can impact on the level of income distribution	1

Question 22 (d)*Outcomes assessed: H6***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the relationship between a government's use of fiscal policy and a reduction in the deficit on current account	5
<ul style="list-style-type: none">• Demonstrates an understanding of the relationship between a government's use of fiscal policy and a reduction in the deficit in current account	4
<ul style="list-style-type: none">• Demonstrates some understanding of the relationship between a government's use of fiscal policy and a reduction in the deficit on current account	3
<ul style="list-style-type: none">• Sketches in general terms some of the components of fiscal policy with some references to the way they reduce a deficit on the current account	2
<ul style="list-style-type: none">• Lists the ways in which some components of fiscal policy could reduce a current account deficit	1

Question 23 (a)*Outcomes assessed: H1***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Correctly notes the difference between a factor market and a product market	2
<ul style="list-style-type: none">• Makes a partial distinction between a factor market and a product market <p>OR</p> <ul style="list-style-type: none">• Correctly states the meaning of either a factor market or a product market	1

Question 23 (b)*Outcomes assessed: H1, H2***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">Clearly and concisely shows the relationship between actions taken in a particular market or industry which resulted in its deregulation, with specific reference to one example in the Australian economy	3
<ul style="list-style-type: none">Provides a partial understanding of the relationship between actions taken in a particular market or industry which resulted in its deregulation, with specific reference to one example in the Australian economy OR <ul style="list-style-type: none">Clearly and concisely shows the relationship between actions taken to bring about deregulation, but does not refer to a particular market or industry in the Australian economy	2
<ul style="list-style-type: none">Outlines an example of deregulation with reference to a particular market or industry in the Australian economy OR <ul style="list-style-type: none">Provides the characteristics and features of deregulation, but does not refer to a particular market or industry in the Australian economy	1

Question 23 (c)
Outcomes assessed: H6, H7
MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none"> • Correctly states TWO microeconomic reforms • Provides relevant, clear and concise arguments of the positives and/or negatives of the impact of each microeconomic reform on both productivity and international competitiveness in the Australian economy • Balanced response between the two microeconomic reforms 	4–5
<ul style="list-style-type: none"> • Correctly states one or two microeconomic reforms • Provides arguments for and/or against the impact of each microeconomic reform on both productivity and international competitiveness in The Australian economy • Provides relevant, clear and concise arguments of the positives and/or negatives of the impact of ONE microeconomic reform on both productivity and international competitiveness in the Australian economy <p>OR</p> <ul style="list-style-type: none"> • Provides relevant, clear and concise arguments of the positives and/or negatives of the impact of each microeconomic reform on EITHER productivity OR international competitiveness 	3
<ul style="list-style-type: none"> • Correctly states one or two microeconomic reforms • Provides limited arguments of the positives and/or negatives of the impact of each microeconomic reform on both productivity and international competitiveness <p>OR</p> <ul style="list-style-type: none"> • Provides arguments of the positives and/or negatives of the impact of ONE microeconomic reform on both productivity and international competitiveness <p>OR</p> <ul style="list-style-type: none"> • Provides arguments of the positives and/or negatives of the impact of each microeconomic reform on EITHER productivity OR international competitiveness in the Australian economy 	2
<ul style="list-style-type: none"> • Correctly states one or two microeconomic reforms • Lists arguments for and/or against the impact of each microeconomic reform on either productivity and/or international competitiveness <p>OR</p> <ul style="list-style-type: none"> • Lists arguments of the positives and/or negatives of the impact of ONE microeconomic reform on both productivity and international competitiveness 	1

Question 24 (a)*Outcomes assessed: H1, H11***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Correctly states the balance on current account to be $-\\$30\text{bn}$ or -30	1

Question 24 (b)*Outcomes assessed: H1***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Correctly sketches in general terms TWO factors influencing the balance on the current account, using evidence from the table	2
<ul style="list-style-type: none">• Correctly sketches in general terms ONE factor influencing the balance on the current account, using evidence from the table OR <ul style="list-style-type: none">• Sketches in general terms TWO factors influencing the balance on the current account, but does not quote evidence from the table	1

Question 24 (c)*Outcomes assessed: H1, H8***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Clearly and concisely demonstrates an understanding of the relationship between the current account and the capital and financial account under a floating exchange rate	3
<ul style="list-style-type: none">• Demonstrates a partial understanding of the relationship between the current account and the capital and financial account under a floating exchange rate	2
<ul style="list-style-type: none">• Provides the characteristics and features of the current account and the capital and financial account, with or without reference to a floating exchange rate OR <ul style="list-style-type: none">• States correctly a relationship ('accounting') between the current account and the capital and financial account	1

Question 24 (d)*Outcomes assessed: H2, H7***MARKING GUIDELINES**

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates a clear, concise and balanced understanding of the relationship between a rise in domestic interest rates for an economy and its impact on any TWO components of its Balance of Payments	4
<ul style="list-style-type: none">• Demonstrates an understanding of the relationship between a rise in domestic interest rates for an economy and its impact on any TWO components of its Balance of Payments	3
<ul style="list-style-type: none">• Demonstrates an understanding of the relationship between a rise in domestic interest rates for an economy and its impact on ONE component of its Balance of Payments <p>OR</p> <ul style="list-style-type: none">• Sketches in general terms a relationship between a rise in domestic interest rates for an economy and the impact it has on any TWO components of its Balance of Payments	2
<ul style="list-style-type: none">• Lists the impact of a rise in domestic interest rates for an economy on any TWO components of its Balance of Payments <p>OR</p> <ul style="list-style-type: none">• Sketches in general terms a relationship between a rise in domestic interest rates for an economy and the impact this has on ONE component of its Balance of Payments	1

Section III

Question 25

Outcomes assessed: H2, H3, H4, H7

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates a clear and concise understanding of the relationship between reduced levels of protection and its impact on the global economy• Makes reference to more than one economy• Integrates an extensive and appropriate range of economic terms and concepts with relevant relationships and theory• Synthesises own knowledge with the information provided to develop a sustained, logical and well-structured response	17–20
<ul style="list-style-type: none">• Demonstrates an understanding of the relationship between reduced levels of protection and its impact on the global economy• Consistently applies appropriate economic terms, relevant concepts, relationships and theory• Uses own knowledge and the information provided to develop a logical and structured response	13–16
<ul style="list-style-type: none">• Demonstrates some understanding of the relationship between reduced levels of protection and its impact on the global economy• Applies appropriate economic terms, concepts and theory• Uses own knowledge and the information provided to develop a coherent response	9–12
<ul style="list-style-type: none">• Sketches in general terms the impact of reduced levels of protection on the global economy• Uses some appropriate economic terms, concepts and relationships• Uses information to develop a generalised response	5–8
<ul style="list-style-type: none">• Lists some impacts of reduced levels of protection on the global economy• Uses some economic terms and/or concepts• Presents a limited response	1–4

Question 26
Outcomes assessed: H2, H5, H6
MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none"> • Identifies a range of components of the macroeconomic and microeconomic policies • Demonstrates a clear and concise understanding of the relationship between macroeconomic and microeconomic policies and the impacts on a comprehensive range of criteria measuring the economic performance of the Australian economy • Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory • Synthesises own knowledge with the information provided to develop a sustained, logical and well-structured response 	17–20
<ul style="list-style-type: none"> • Identifies some of the components of the macroeconomic and microeconomic policies • Demonstrates an understanding of the relationship between the macroeconomic and microeconomic policies and the impacts on a range of economic criteria measuring the economic performance of the Australian economy • Consistently applies appropriate economic terms, relevant concepts, relationships and theory • Uses own knowledge and the information provided to develop a logical and structured response 	13–16
<ul style="list-style-type: none"> • Identifies some of the components of the macroeconomic and microeconomic policies • Demonstrates some understanding of the impacts of the macroeconomic and microeconomic policies on some economic criteria measuring performance of the Australian economy • Applies appropriate economic terms, concepts and relationships • Uses own knowledge and the information provided to develop a coherent response 	9–12
<ul style="list-style-type: none"> • Identifies at least one macroeconomic and one microeconomic policy • Sketches in general terms some impacts of the macroeconomic and microeconomic policies on a limited range of economic criteria measuring economic performance of the Australian economy • Uses some appropriate economic terms, concepts and relationships • Uses information to develop a generalised response 	5–8
<ul style="list-style-type: none"> • Refers to a macroeconomic and/or microeconomic policy • Lists effects of the macroeconomic and/or microeconomic policies • Lists data relating to the economic performance of the Australian economy • Uses some economic terms and/or concepts • Presents a limited response 	1–4

Section IV

Question 27

Outcomes assessed: H2, H4, H7, H8

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none"> • Sketches in general terms a range of causes of an increase in demand for the Australian dollar • Demonstrates clear and concise understanding through arguments which express positive and/or negative impacts on the Australian economy of a sustained appreciation of the Australian currency • Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory • Synthesises economic data and other information to develop a sustained, logical and well-structured response 	17–20
<ul style="list-style-type: none"> • Sketches in general terms some of the causes of an increase in demand for the Australian dollar • Demonstrates an understanding through arguments which express positive and/or negative impacts on the Australian economy of a sustained appreciation of the Australian currency • Consistently applies appropriate economic terms with relevant concepts, relationships and theory • Uses economic data and other information to develop a logical and well structured response 	13–16
<ul style="list-style-type: none"> • Sketches in general terms some of the causes of an increase in demand for the Australian dollar • Provides some understanding through arguments which express positive and/or negative impacts on the Australian economy of an appreciation of the Australian currency • Applies appropriate economic terms with relevant concepts and relationships • Uses some economic data and other information to develop a coherent response 	9–12
<ul style="list-style-type: none"> • Sketches in general terms a limited number of causes of an increase in demand for the Australian dollar • Provides characteristics and features of the impact on the Australian economy of an appreciation of the Australian currency • Uses some appropriate economic terms and concepts • Uses some economic data to develop a generalised response 	5–8
<ul style="list-style-type: none"> • Lists some of the causes of an increase in demand for the Australian dollar • Sketches in general terms an impact/s on the Australian economy of an appreciation of the Australian currency • Uses some economic terms • Presents a limited response 	1–4

Question 28
Outcomes assessed: H2, H4, H5, H7
MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none"> • Sketches in general terms a range of arguments for ecologically sustainable development • Demonstrates a clear and concise understanding through arguments which express likely positive and/or negative impacts on the environment of a sustained increase in the rate of economic growth in the Australian economy • Integrates an extensive and appropriate range of economic terms with relevant concepts, relationships and theory • Synthesises economic data and other information to develop a sustained, logical and well-structured response 	17–20
<ul style="list-style-type: none"> • Sketches in general terms at least one argument for ecologically sustainable development • Demonstrates an understanding through arguments which express likely positive and/or negative impacts on the environment of a sustained increase in the rate of economic growth in the Australian economy • Consistently applies appropriate economic terms with relevant concepts, relationships and theory • Uses economic data and other information to develop a logical and well-structured response 	13–16
<ul style="list-style-type: none"> • Sketches in general terms at least one reason for ecologically sustainable development • Provides some understanding through arguments which express likely positive and/or negative impacts on the environment of an increase in the rate of economic growth in the Australian economy • Applies appropriate economic terms with relevant concepts and relationships • Uses some economic data and other information to develop a coherent response 	9–12
<ul style="list-style-type: none"> • Lists at least one reason for ecologically sustainable development • Provides characteristics and features of possible impact/s on the environment of an increase in the rate of economic growth in the Australian economy • Applies some economic terms and concepts • Uses some economic data and other information to develop a generalised response 	5–8
<ul style="list-style-type: none"> • Makes reference to ecologically sustainable development • Sketches in general terms some possible impact/s on the environment of an increase in the rate of economic growth in the Australian economy • Uses some economic terms • Presents a limited response 	1–4